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to avoid those branches of the subject best fitted to interest the student in exercising his powers of analysis and observation. For example, the whole subject of banks, banking, and currency is passed over so rapidly and superficially that one can hardly see why it was mentioned at all. What is now called "Economics" is so lightly touched that the very title of the work is a misnomer.

SIMON NEWCOMB.

Economic Legislation of all the States. The Law of Incorporated Companies Operating under Municipal Franchises. By ALLEN RIPLEY FOOTE. vol. i. Cincinnati: 1892.

WE are not concerned in this review with the purely legal part of the work under consideration, which, being the result of the combined labors of many legal students, will necessarily command the deserved respect of the profession. It is the author's promise of "a suggestive discussion of the economic principles involved" in the burning problems of the day that excites the interest of the economist; and, we are pleased to say, the discussion proves really suggestive of the tendencies and aspirations of an industrial class to which the legal profession of our day is what the *légistes* were to the growing royal power in feudal France. The arguments of the author are those of a thoroughly equipped American lawyer, whose virgin mind has never departed from the straight and narrow path of legal wisdom to wander abroad over the disputed ground of economic theory. To those who have given in their adhesion to the teachings of the historical school in political economy it may be pleasing to learn "that those below the average man in intelligence cry out for a more just distribution of wealth" (p. 26). To us, however, this ingenuousness appears to be the great advantage of the author. He speaks out what he thinks, without couching it in too ambiguous phraseology, as would one versed in current economic discussion. His is an undisguised plea of a corporation lawyer in behalf of private industrial monopoly. Of course the instrument is drawn with due regard for the prejudices of the masses. The "wage-workers" are appealed to at every critical point of the discussion; a lance is cleverly broken against "alien property owners." The style is solemn, like the language of a lawyer addressing the jury:

In the sacred court of eternal justice he who is found willing to procure property at the expense of character will be obliged to pay the full price of

his barter. He can effect no compromise with natural justice that awards character as the reward of right conduct only, etc. . . . Among practical men, so-called, the one who accumulates most property is regarded as the most successful man. Does this prove that character is but a vision? (pp. 30, 31.)

The student of economics, however, will pay the author due tribute for the courage and consistency he exhibits in advocating the unpopular cause of private monopoly. Competition being precluded by the very nature of the municipal needs under consideration, the issue is propounded squarely as one between private monopoly and public monopoly. The private monopolist's side of the contention is "affirmed as a fundamental economic principle for the guidance of economic legislation:" "No public need should be supplied under the management of a political monopoly that can be supplied with equal economic advantage to the users of the service under the management of an industrial monopoly" (p. 65).

Taking for granted that private management is more profitable in industrial enterprise than public management, it follows as a sequel, with the author, that private monopoly can offer better advantages to the users of the services than public monopoly. The correctness of the syllogism might be questioned, but the author is ready with an argument which, if not unimpeachable, is at least original in the extreme:

When a municipality makes an investment in a plant for carrying on a business, it must first lay a tax . . . for the annual payment of the interest on the bonds and a small percentage of the principal. If the service is performed without charge to the users, . . . its entire cost must be paid by taxation. If . . . a charge is made, and it is high enough to produce a profit, the amount of the profit enhances the cost of the services to its consumers for the benefit of taxpayers who are non-users, many of whom are non-residents. If the charge fails to produce a profit, the amount of the loss, which must be paid by taxation, reduces the cost of the service to its users, and benefits them at the expense of the taxpayers who are non-users. (p. 78.)

In short, whatever a municipality do, it can always do but injustice: if it lets the people have its services free, it does an injustice to the taxpayers; if the services are rendered at cost, the taxpayers have to pay up for the plant,—another injustice; if a profit is made, the users are discriminated against in favor of "alien property owners" who pay the taxes. Whereas a corporate monopoly will set all things right "without collecting a single dollar by taxation" (pp. 67, 84, 96, 100). Corporate services "are the means by which the realized good may be made most surely to approach the ideal good" (pp. 66, 86).

To ever attain this ideal goal economic legislation must be "aligned with the natural economic law of labor and property" (p. 66), which ordains: "No restrictions are required as to the extent of corporate operations or the perpetuity of their existence" (p. 35). The rules of common law pleadings require that the very same identical demand be repeated in a hundred and one casuistical variations: if one does not hold, surely some of the one hundred and one will. That is the theory. It is unquestionably to be considered as an act of charity towards the lay reader that the above fundamental principle is further reiterated in no more than three versions, of which the affirmative demands: "That an industrial corporation organized to supply a perpetual municipal need shall have the exclusive right to supply the need perpetually" (p. 71). The negative, on the other hand, exposes the "illogical" position taken by the legislators, "by limiting the right to supply the service to ten, twenty-five, fifty, or some other specified term of years," and "by creating unnecessary uncertainties through limiting the public contract for service to a term of one, three, five, ten, or other term of years, instead of making the contract perpetual" (pp. 72, 73).

It is "illogical to limit the duration of such corporations . . . to any definite term" (p. 70). Let them hold the franchise for ages to come; "so long as the need lives, they should live to supply it." Moreover, it is "unintelligent" to grant to a corporation "the privilege of electrical transmission of intelligence by telegraph instead of omitting the designation to be used" (p. 71). Suppose, indeed, telephones are invented,—this specification exposes the corporations to the trouble of securing a new franchise. "Politicians have so managed questions relating to corporations as to make and keep them a source of revenue" (p. 107). "They have been required to spend large sums in lobbying . . . and other ways made necessary by the methods that have been and are now employed" (*ibid.*). By adopting the principle above elucidated the telegraph companies could have the telephone franchise absolutely free, in token of recognition of their "most helpful services" to the "wage-workers."

Eliminating the endless repetitions, the practical measures which, if enacted, would, in the opinion of the corporation lawyer, remedy the evils of present legislation, can be summarized as follows:

1. The monopolistic corporations "shall issue their certificates, or bonds subject to the approval of the state, *in any amount* sufficient to

cover at a true value all property necessary to be used, *or to be held in readiness to be used*, for supplying the service to the municipality and its inhabitants" (p. 93). In plain English they shall have the unlimited power to water their stocks to the best of their ability.

2. The state should "authorize investments in the shares and bonds of industrial corporations, of the funds of savings banks, insurance companies, executors, administrators, all security and sinking funds of private corporations, municipalities, counties, and the like" (p. 96). In short, all the disposable capital of the community should be placed in their hands on easy terms.

3. The corporations "shall charge users such rates for services rendered to the municipality and its inhabitants as shall be fixed by the state, from time to time, the rates to be calculated to yield an income sufficient to provide for the payment of all fixed charges, expenses of administration, operation and maintenance, and a *reasonable dividend per annum upon the full amount* of the approved investment account," (*i. e.*, watered stock and all). The dividend shall not include "interest upon the full amount of the approved investment," for which allowance is made under the head of fixed charges. Should there, with this careful bookkeeping, still remain a "surplus," it "shall be equally divided between the municipality and the corporation," yet only provided it be "of sufficient amount" (p. 95, also p. 97). But "in the case of a deficiency . . . the shareholders . . . may apply to the state for authority to increase the rate of charge" (p. 97). The advantage of the system proposed will be found in that, in case of need, "an advance in the price of the services could be made without causing ill feeling" (p. 98).

4. The property of industrial monopolistic corporations should be exempted from taxation. Especial stress is laid by the author upon this particular point. The present legislation is vicious:

By taxing the means by which the needs of municipalities are being supplied, thus curtailing advantages that are aids to industry, ministers to comfort, and promoters of value of all public and private intra-municipal property. (p. 73.)

Any tax levied upon them is as injurious to the best interests of society as the extraction of blood is to the physical strength. . . . Taxes laid upon municipal industrial corporations are like rust upon a plow or a hole in a grain sack. (p. 75.)

Taxes on the property of industrial corporations not only enhance the cost to the users of the services, but they accomplish it for the benefit of the non-users and alien property owners. (*ibid.*)

5. The author would concede to the state the right to control the corporations, although he has a prophetic faith that "most defects will be found to consist in being less good than the most excellent" (p. 89). But the public reports will tend to show "what restrictions or exactions must be removed, or what additional facilities must be granted,"—that is where the benefit of state control lies.

By guaranteeing such franchises to industrial corporations the state will secure the healthfulness of every municipality as surely as a person secures the healthfulness of his body by obtaining an abundant supply of pure air, water, and food (p. 85). [Such franchises] will be in accord with all ethical and economic laws that proclaim and establish the dignity and freedom of labor. (*ibid.*)

While there is, perhaps, likely to arise some difference of opinion as to this, we feel confident no one will dispute that "no form of investment can be safer or more sure of securing a reasonable income than investments in industrial corporations owned and operated under such conditions" (p. 96). The burdens must, of course, be borne by the municipality or its inhabitants, who would have to pay the charges. But it would be "a monumental absurdity," "entirely at variance with recognized customs in dealings of man with man," to let them have a voice in fixing the charges: "Where is there another law that makes the party being furnished the judge of the price he should pay?" (p. 99.)

One might suppose that in the open market the buyer is always "the judge of the price he should pay." But the relations of an industrial monopoly to the municipality are of a peculiar nature. "Municipalities are coördinate with industrial corporations" (p. 103), and must be treated as "legal persons of coördinate powers" (p. 101). It follows that "the price should be fixed by an authority superior to both buyer and seller, a power that can adjudicate all causes of action between them" (p. 99). Unfortunately, however, among the existing American institutions there is not a single one to be found that is competent to say how much a municipality ought to pay to an industrial corporation for its services. For this specific purpose a new court must be created, which should be called "The Department of Municipal Administration." The suggestion would, probably, conflict somewhat with the existing constitutional enactments, but we believe it to be strictly in line with the author's fundamental principle requiring that industrial corporations be "granted the same economic conditions in their franchises as those which are given by the state . . . to political corpora-

tions" (p. 80). It is then no more than reasonable to amend the constitution so as to make it serve the ends of industrial corporations. We think, however, that the learned jurist does not go far enough in this direction. Why this distinction between street lighting, and the police, fire service, education, taxation, etc.? Would not a fire department render cheaper and more efficient service under the management of an industrial corporation than under that of a political corporation? We have witnessed quite successful experiments of private police departments run by industrial corporations. Taxation was for centuries a private monopoly in France, and it was only as late as 1863 that it was taken away from private monopolists in Russia.

ISAAC A. HOURWICH.

Fourth Special Report of the Commissioner of Labor. Compulsory Insurance in Germany. Including an Appendix Relating to Compulsory Insurance in other Countries in Europe. Prepared under the Direction of CARROLL D. WRIGHT, Commissioner of Labor, by JOHN GRAHAM BROOKS. Washington: Government Printing Office, 1893.

A SPECIAL REPORT upon insurance laws in Germany has been issued by the Department of Labor. It is written by Mr. John Graham Brooks. Mr. Brooks accepted a commission from the Department in July of 1891, and during the two years following resided in Germany, occupied in observing and studying German social conditions. The report therefore possesses the qualities of a laboratory thesis in Sociology.

An introductory chapter follows historically the growth of paternalism in Germany, or, to avoid the use of an odious term, the growth of that conception of government which holds the state responsible for the welfare of the workingman, and for the protection of the weak members of society against the strong and against their own weaknesses; compulsory insurance is one of the most recent developments of this conception. The law of compulsory insurance against sickness (1883), the law of compulsory insurance against accidents (1884), and the law of compulsory insurance against old age and invalidity (1889), form the subjects of chapters ii, iii, and iv, respectively. The text of the laws and of amendments is printed in the body of the Report. Chapters v.-x., discuss the relation of insurance to